PASTURES REVOLVING FUND

FINANCIAL STATEMENTS

For the Year Ended March 31, 2006

Provincial Auditor Saskatchewan

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AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the balance sheet of the Pastures Revolving Fund as at March 31, 2006 and the statements of operations and accumulated operating surplus (deficit) and changes in accumulated net expenditure for the year then ended. The Revolving Fund's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Revolving Fund as at March 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
June 29, 2006

Fred Wendel, CMA, CA
Provincial Auditor

Statement 2

PASTURES REVOLVING FUND
STATEMENT OF OPERATIONS AND ACCUMULATED OPERATING SURPLUS (DEFICIT)
For the Year Ended March 31

	Budget 2005-06 (Note 6)	Actual 2006	Actual 2005
REVENUE			
Grazing	$ 5,408,034	$ 5,672,677	$ 5,334,841
Petroleum and gas leases	1,145,023	1,058,475	878,130
Bull wintering	218,943	224,465	206,927
Timber sales	160,000	176,658	213,274
House rent	46,000	43,540	48,546
Seismic and easement	—	181,512	52,826
Hay	30,000	5,806	15,050
Gain on disposal of property, plant and equipment	—	285,201	111,461
Other	20,000	24,216	87,793
	7,028,000	7,672,550	6,948,848
EXPENSES			
Salaries	2,992,199	3,063,378	2,881,751
Repairs and improvements	966,200	1,013,656	271,813
Taxes	1,011,226	1,098,693	1,013,528
Seed and forage	184,675	349,438	185,797
Rent of equipment, horses and other	289,860	285,056	276,839
Amortization	426,116	410,088	354,859
Travel	300,735	322,003	315,353
Small tools, equipment, and supplies	194,044	302,275	211,615
Utilities	128,300	121,735	131,584
Veterinary fees and supplies	84,450	84,599	89,373
Telephone	74,980	67,159	68,427
Bad debt expense (recovery)	10,000	26,126	(6,727)
Freight and postage	17,250	20,849	24,142
Advertising and printing	3,300	3,521	2,900
Other	140,569	138,878	71,908
	6,823,904	7,307,454	5,893,162
Net income (Note 8)	$ 204,096	365,096	1,055,686
Accumulated operating surplus (deficit), beginning of year		629,228	(426,458)
Accumulated operating surplus, end of year – to Statement 1		$ 994,324	$ 629,228

(See accompanying notes to the financial statements)

PASTURES REVOLVING FUND
STATEMENT OF CHANGES IN ACCUMULATED NET EXPENDITURE
For the Year Ended March 31

	2006	2005
Financing required for (provided by) operating activities:		
Net income	$ (365,096)	$ (1,055,686)
Items not affecting cash:		
Amortization	(410,088)	(354,859)
Bad debt (expense) recovery	(26,126)	6,727
Gain on disposal of property, plant and equipment	285,201	111,461
Net (increase) decrease in working capital items related to operations (Note 10)	(663,030)	123,213
	(1,179,139)	(1,169,144)
Financing required for (provided by) investing activities:		
Purchase of property, plant and equipment	1,329,064	766,114
Proceeds from sale of property, plant and equipment	(321,271)	(208,339)
	1,007,793	557,775
Net (decrease) in financing requirements	(171,346)	(611,369)
Accumulated net expenditure, beginning of year	2,105,920	2,717,289
Accumulated net expenditure, end of year – to Statement 1	$ 1,934,574	$ 2,105,920

(See accompanying notes to the financial statements)

PASTURES REVOLVING FUND
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2006

1. Authority and Definition

The Pastures Revolving Fund is continued under *The Pastures Act*. The Revolving Fund provides for the establishment, operation, management and maintenance of pastures, programs and services related to pasture and livestock management, and programs related to developing, protecting and promoting the environmental, social, and economic use of pastures.

2. Significant Accounting Policies

The financial statements are prepared in accordance with Canadian generally accepted accounting principles. These statements do not present a cash flow statement because the required cash flow information is readily apparent from the Statement of Changes in Accumulated Net Expenditure and Note 10. The following policies are considered significant.

a) Net Financing Requirements

The net financing requirement is the cash flow from (to) the General Revenue Fund. It represents the total annual financing requirements resulting from net capital acquisitions, working capital changes, and net cash flows from operations.

b) Accumulated Net Expenditure (Recovery)

The accumulated net expenditure (recovery) includes the following:

i) the net increase (decrease) in financing requirements for each fiscal year; and
ii) the book value of assets acquired (disposed of) at no charge from (to) another government agency.

c) Inventory

Inventory is valued at the lower of cost and net realizable value. Inventory consists of repair parts, livestock feed, minerals and fencing supplies.

d) Property, Plant and Equipment and Amortization

Property, plant and equipment are recorded at cost net of accumulated amortization. The cost and related accumulated amortization of items retired or disposed of are removed from the records and any gains or losses are included in the statement of operations and accumulated operating surplus (deficit). Amortization of all property, plant and equipment is charged to operations using the straight-line method at the following rates:

Fencing and corrals	10%
Water sites	5%
Buildings	5%
Equipment and Vehicles	10%
Office equipment	25%
Land improvements	10%

Property, plant and equipment that are acquired or disposed of by the Revolving Fund during the year are amortized at 50% of the above rates for the year of acquisition and disposal.

e) Unearned Revenue

Unearned revenue consists of petroleum and gas lease revenue and grazing revenue that will be earned in future periods. These amounts are included in income when the revenue is earned.

3. Authorized Financing

Subsection 16 (11) of *The Department of Agriculture, Food and Rural Revitalization Act* provided for a maximum accumulated net expenditure which may at any time be outstanding to be set by Order of the Lieutenant Governor in Council. Order in Council 1859/83 established a maximum accumulated net expenditure of $10,000,000.

4. Accumulated Operating Surplus (Deficit)

Treasury Board controls the operations of the Revolving Fund, in part by monitoring the amount of its accumulated operating surplus (deficit). If the amount falls above or below the limit specified by Treasury Board, management is responsible to present a plan to address the excess surplus (deficit) for approval by Treasury Board. Plans may include, but are not limited to, payment of excess surpluses to, or requests for additional funding from, the General Revenue Fund. The limit for the Pastures Revolving Fund is $700,000.

5. Property, Plant and Equipment

	2006			2005
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Fencing and corrals	$ 1,449,331	$ 681,773	$ 767,558	$ 336,901
Water sites	1,534,632	344,195	1,190,437	1,017,675
Equipment and Vehicles	2,297,077	1,220,572	1,076,505	918,367
Buildings	583,133	158,991	424,142	295,905
Office equipment	51,556	50,694	862	3,920
Land	19,000	---	19,000	19,000
Land improvements	38,311	28,733	9,578	13,408
Total	$ 5,973,040	$ 2,484,958	$ 3,488,082	$ 2,605,176

6. Budget

Treasury Board approves the Revolving Fund's budget annually. The budget amounts presented in these financial statements are based on the budget approved by Treasury Board.

7. Related Party Transactions

These financial statements include transactions with related parties. The Revolving Fund is related to all Saskatchewan Crown agencies such as departments, corporations, agencies, boards and commissions under common control of the Government of Saskatchewan. Also, the Revolving Fund is related to non-Crown enterprises that the Government jointly controls or significantly influences.

Routine operating transactions with related parties are recorded at agreed upon rates and are settled on normal trade terms. The following table summarizes the routine related party transactions for the year:

	2006	2005
Financial statement category:		
Expenses	$290,442	$354,288
Purchase of capital assets	150,651	140,519
Accounts payable and accrued liabilities	66,313	134,575
Accounts receivable	242,089	---

The Revolving Fund has received use of certain office space, use of Crown land and certain administration services from the Department of Agriculture and Food without charge. In addition, the Revolving Fund pays Provincial Sales Tax to the Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of these purchases.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and the notes thereto.

8. Amount Reported in Public Accounts

The net recovery (expense) of the Revolving Fund reported in the Public Accounts is the net income (loss) of the Revolving Fund adjusted for the following differences between the Revolving Fund and the General Revenue Fund:

	2006	2005
Net income	$ 365,096	$ 1,055,686
(Increase) in inventory balance recorded by the Revolving Fund	(32,705)	(44,263)
(Increase) in net property, plant and equipment recorded by the Revolving Fund	(882,906)	(315,471)
Timing differences in recording revenue/expenses	162,892	(387,683)
Net recovery (expense) reported in the Public Accounts	$ (387,623)	$ 308,269

9. Financial Instruments

a) Significant terms and conditions

There are no significant terms and conditions related to financial instruments classified as current assets or current liabilities that affect the amount, timing and certainty of future cash flows.

b) Credit risk

The Revolving Fund is exposed to credit risk from potential non-payment of accounts receivable. The total of the receivables is $760,342 at March 31, 2006 with an allowance for doubtful accounts of $52,521. Some of the receivables were received shortly after year end reducing the credit risk.

c) Receivables/Payables

These financial instruments are non-interest bearing and are due or payable within one year. Due to this short-term maturity, the carrying value of these financial instruments approximates their fair value.

d) Accumulated Net Expenditure

The fair value of accumulated net expenditure has been omitted because it is not practicable to determine the fair value with sufficient reliability.

10. Net Change in Working Capital Items Related to Operations

	2006	2005
Working capital changes:		
Increase in accounts receivable	$ 127,982	$ 209,027
Increase in inventory	32,705	44,263
(Increase) in accounts payable	(552,217)	(106,425)
(Increase) in unearned revenue	(271,500)	(23,652)
	$ (663,030)	$ 123,213